



China and the Iranian Nuclear Crisis: Between Ambiguities and Interests

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Abstract

This article analyses the complex relationship between Tehran, Beijing and Washington on the Iranian nuclear issue. Indeed, China's policy towards Iran has often been described as ambiguous, in supporting Washington, on the one hand, while protecting Tehran, on the other hand. In this article, we argue that, in fact, Beijing policy vis-a-vis Tehran depends on the state of its relationships with Washington. Indeed, a closer analysis shows that China is using Iran as a bargaining chip with the United States on, among others, two key security issues, i.e., Taiwan and the oil supply. The guarantee of a secured oil supply from the Middle-East in addition to a comprehensive policy of the US with regard to Chinese security interests in Taiwan as well as the use of smart sanctions against Tehran, which would thus take into account, to a certain extent, Beijing economic interests in Iran, are, indeed, the guarantee of Beijing's support to the US policy towards Iran.

Keywords

China; Iran; United States; nuclear proliferation; cooperation; Taiwan; oil supply; smart sanctions

Introduction

Since the beginning of the Iranian nuclear crisis in 2002, the United States, the superpower, has always wanted to adopt a united front—gathering, under its leadership, the five most powerful nations¹—in the face of what, according to the American administration, is Tehran's regime threat on international collective nuclear non-proliferation security. Yet, from the outbreak of the crisis, Washington has been confronted with the shilly-shallying of Moscow and

¹) France, the United Kingdom, Germany, Russia and China.

Beijing, which have wavered between showing their support to the US and displaying their proximity with Tehran. In fact, our hypothesis is that Beijing's policy towards Iran reflects its relationships with Washington. Indeed, the more strained the relations between China and the US, the better the relations between China and Iran, and vice versa. More precisely, it seems that Iran is a means which China uses vis-à-vis the US in order to promote its own more global interests. In this regard, in International Relations, Chinese and American interactions can be explained by a neoliberal contextual structure of conflicting cooperation. Thus, within the framework of multi-level game theory,² France, the United Kingdom, Germany, Russia and China cooperate, under the leadership of the United States, in overcoming the dilemma of their focal game, i.e. that of together resolving the Iranian crisis.

In this respect, Chinese policy towards the Middle East, specifically with regard to the Iranian nuclear crisis, has to a certain extent tended to maintain a close balance between a strategic rival partner on the one hand—the United States—and, on the other hand, good relations with Iran, a key player in the Middle East: a Middle East from which China gets the majority of its oil imports, and therefore a crucial region for this emerging world power. Thus, for Beijing too, a stable and secured Middle East has become of the utmost importance for the security of its oil supply, of even greater importance than the rise in the price of this strategic natural resource. Moreover, that stability has already resulted in a significant increase in Middle Eastern Arabs' economic investments in China, creating thousands of jobs and playing an important role in Chinese economic growth.³ Yet, for the time being, only the United States can maintain such stability. Nevertheless, since Washington and China, are rational 'rival-partners', they interact in a game theory context of multi-level international cooperation, with the Iranian nuclear crisis as *the focal game* and certain key issues as its *contextual games at other levels*. In this case, these issues are, inter alia, Chinese secured access to Middle Eastern oil supplies, Taiwan and North Korea. And, last but not least, the Chinese naval build-up in Asia (the development of aircraft carriers), its growing military power (stealth aircraft) and its recent elevation of the East China Sea to the same level of

² Robert Axelrod and Robert O. Keohane, 'Achieving cooperation under anarchy: strategies and institutions', in David Baldwin (ed.), *Neorealism and Neoliberalism: The Contemporary Debate* (New York: Columbia University, 1990), pp. 98–101.

³ For more details on this topic see Ben Simpfendorfer, *The New Silk Road: How a Rising Arab World is Turning Away from the West and Rediscovering China* (Basingstoke, Hampshire: Palgrave Macmillan, 2011).

vital interest as Taiwan and Xinjiang have combined to spark a new crisis with its neighbours, all allies of the United States, and have further increased this rivalry.

Iran, for its part, is also an important factor for China, to the extent that not only is it one of the most important world oil producers, but it is also the only oil-producing country in the Middle East that, far from being an ally of the United States, is actually its foe. In fact, one of the key bases of the Iranian revolution is the rejection of US domination—‘the great Satan’, according to Aya-tollah Khomeini, the founder of Iran’s Islamic Republic. We should remember that, in the middle of the 1990s, Hachemi Rafsanjani, then President of Iran, declared, ‘We are who we are because of our revolution.’ In this respect, opposition to the United States is a part of the Iranian leadership world view or, one might even say, Iranian identity. In this global context, keeping good relationships with Tehran is an important component in Beijing’s Middle Eastern policy, particularly in the case of crisis between China and the US. Indeed, Tehran can always guarantee a regular flow of oil to Beijing, with no pressure from Washington. Yet during the last few years this situation has not prevented China from exerting a certain pressure on Iran, in order to make Iran renounce its nuclear programme. In this fight against proliferation, China has accepted tighter controls from the International Atomic Energy Agency (IAEA) and regularly expressed its concern by voting for strong UN sanctions against Iran.

In what follows, after a thorough analysis of the complex relationships between Washington and Beijing we will focus our analysis on two key factors which explain Chinese interactive international policy regarding the Iranian nuclear crisis. The first and more important, at least in the short term, is the oil factor and how it plays in Beijing policy in the current stand-off between Iran and the international community. The second, which is less well known and may be less key, while remaining extremely important, is the Taiwanese factor. We will see that, in fact, some guarantees from the US on the Taiwan issue and on regular oil supplies from the Middle East, coupled with ‘smart’ UN sanctions, have probably led Beijing to take a softer line on the Iranian issue.

1. China and the United States

For Beijing, its huge and relatively recent development has made China ‘a prosperous country’ with ‘a powerful army’.⁴ Indeed, within a 60-year period,

⁴ Robert Kagan, *The Return of History* (New York: Alfred Knopf, 2008), p. 25.

China has evolved from the state of a poor country, torn by civil war, to that of a world military power, with secured borders, and an economy tending more and more to becoming one of the strongest in the world.⁵ This explains why Western nations have kept trying to contain China's growing power by engaging Beijing, economically and diplomatically, in signing of a series of treaties, commercial conventions and international regimes.⁶

As explained by Robert Kagan, this strategy seems to have worked in some aspects, since its dependency and implication in the world economy have led China to claim to be 'a responsible shareholder' of the global economic system and 'a cautious player' on the international stage.⁷

Therefore, within this framework China has been showing a greater and greater interest in the stability of the world economy and, more specifically, in that of the US, upon which China is heavily dependent.⁸ It is true that the US is the leading importer of Chinese goods, whereas China ranks as the second importer of American goods. Just for information, the total volume of their trade rose to \$ 409 billion in 2008, while China, in spite of a current large trade deficit of around \$ 226 billion, is a huge and growing market for US exports and investors (about \$ 28 billion in 2007).⁹ This is why good relations with the US stand as a priority for China. And it seems all the more important in that Beijing has to tolerate US control of vital communication channels, such as the Malacca Strait, through which China receives its oil supplies from the Middle East, supplies which are crucial for its economic growth.¹⁰

Therefore, for China the United States is not only a commercial partner but also a political rival, and one which should be sometimes mistrusted and even confronted. As a matter of fact, after the fall of the Soviet Union, the Chinese clearly understood that in the new world order President George H.W. Bush wanted to impose a dominant America over a weakened Russia and China, i.e. to downgrade them as two secondary-ranking powers.¹¹ This led to several crises between China and the US. In this regard, we remember the face-off on Taiwan between Beijing and Washington in 1995–1996, which resulted in the

⁵) Kagan, *The Return of History*, p. 25.

⁶) Kagan, *The Return of History*, p. 25.

⁷) Kagan, *The Return of History*, p. 26.

⁸) Kagan, *The Return of History*, p. 27.

⁹) Wayne M. Morrison, 'China–US trade issues', *CRS Report for Congress* (31 March 2009). Online: <http://www.fas.org/sgp/crs/row/RL33536.pdf>.

¹⁰) Kagan, *The Return of History*, p. 32.

¹¹) Kagan, *The Return of History*, p. 32.

dispatching of two American aircraft carriers and the deployment of a carrier battle group close to the Chinese coast.¹²

Yet this does not necessarily mean that Sino-American relationships are totally in conflict: far from it. In fact, present Chinese foreign policy is based on the principle of ‘a new concept of security’ which was initiated during the 1990s. This new approach implies that China acts as a responsible power on the international stage, while continuing its emergence peacefully.¹³ More specifically, this new concept of security underlines the importance of a common security, since no country can maintain its own security at the expense of its neighbouring countries.¹⁴ Moreover, it gives an extended definition of security, insisting on its multidimensional aspects, particularly in the field of human and/or economic security, added to the traditional concept of security. Finally, this concept states that security can be reached only by mutual trust and mutual benefits, as well as by equality and coordination between states.¹⁵

Over the years China has shown rather mixed feelings regarding the fight against weapons of mass destruction (WMD). Indeed, during the 1980s China was an active proliferator, passing sensitive technologies to several countries, among them Pakistan and Iran. However, since the beginning of the 1990s Beijing has reversed its policy, joining all the international treaties and agreements related to arms non-proliferation.¹⁶ It has also signed several agreements with the US, committing the country to very stringent obligations in this field.¹⁷

In fact, several reasons may explain China’s more constructive approach on the non-proliferation issue. First, Beijing would like to reduce the tensions in its external security environment, so as to better focus on its domestic challenges.¹⁸ Indeed, it mostly seeks to reassure its neighbours concerning its peaceful emergence, while balancing its relationships with the US cautiously, in

¹²) Kagan, *The Return of History*, p. 33.

¹³) Gill Bates, *Rising Star: China’s New Security Diplomacy* (Washington: Brookings Institution Press, 2007), p. 4.

¹⁴) Paul J. Bolt, Su Changhe, Robin L. Bowman and David H. Sacko, ‘Chinese, American and Russian policies: the response to terrorism’, in Paul J. Bolt, Su Changhe and Sharyl Cross (eds), *The United States, Russia and China: Confronting Global Terrorism and Security Challenges in the 21st Century* (Westport, CT: Praeger Security International, 2008), p. 4.

¹⁵) Bolt et al., *Chinese, American and Russian policies*, p. 12.

¹⁶) Minxin Pei, ‘Assertive pragmatism: China’s economic rise and its impact on Chinese foreign policy’, *Proliferation Papers*, No. 15 (Fall, 2006).

¹⁷) Minxin Pei, *Assertive pragmatism*.

¹⁸) Bates, *Rising Star*, p. 75.

order to reach its security objectives more efficiently.¹⁹ Within this framework, both battles—against proliferation and in favour of armament control—are among China's priorities.²⁰ In this context, Beijing has actively supported the treaty to halt the production of fissile material and to reduce fissile stocks. Moreover, although it has not yet been ratified, China has also signed the Comprehensive Nuclear-Test-Ban Treaty (CTBT), which considerably limits its capacity to develop new nuclear weapons.²¹ In addition, it has stopped producing highly enriched uranium (HEU) and weaponised plutonium.²² Besides this, in 2003 China joined the American Container Security Initiative (CSI) authorising the presence of American observers in Chinese ports, a presence which would have been unthinkable a few years ago.²³

As an emerging world power, therefore, China has become not only a partner of choice for the US but also an unavoidable partner in the fight against arms proliferation. Those two aspects have been perfectly integrated by the Americans, since China is also an active member of the Six-Party Talks on the North Korean issue and a member of the Group of Six on the Iranian one. China's contribution has been put into action, several times leading Condoleezza Rice, then American Secretary of State, to praise its role in the North Korean case and furthermore to remind the world that China had shown no hesitation in joining UN Security Council sanctions against North Korea, a country which was, at that time, China's ally.²⁴ However, on the Iranian case, Beijing's position has been more complex.

2. China and the Iranian Nuclear Crisis

2.1. *Chinese Interests in the Region*

For Beijing, Middle Eastern oil resources hold a key place in its economic development, and by extension its political and military power, which follows from it. Given that China consumed around 7.4 million barrels of oil per day

¹⁹ Bates, *Rising Star*, p. 75.

²⁰ Pavel Podvig, Fred Wehling and Jing-Dong Yuan, 'Nuclear weapons in a changing threat environment', in Bolt et al., *The United States, Russia and China*, p. 36.

²¹ Podvig et al., *Nuclear weapons*.

²² Podvig et al., *Nuclear weapons*.

²³ Bates, *Rising Star*, p. 87.

²⁴ Christopher P. Twomey, 'Chinese-US strategic affairs: dangerous dynamism', *Arms Control Today* (January/February 2009).

in 2006, 40 per cent of which came from the Middle East, it is estimated that by 2025 its consumption will double to 14.2 million barrels per day, of which 70 to 80 per cent will be coming from that same region.²⁵

Therefore, even if China tries to diversify its foreign sources of oil imports, it is reasonable to expect that it remain dependent on Persian Gulf exports.²⁶ Yet we remember the tumultuous relationships of the 1990s between China and the US, mainly concerning the Taiwan question. Chinese leaders at that time feared that the US would use its influence in the region to restrict China's access to Middle Eastern oil supplies.²⁷ This explains why today the Chinese want to make sure that the US, presently the dominant power in the region, will never use oil as a mean of pressure on their country. As stated by Erica Strecker Downs, 'The oil Chinese diplomacy in the Middle East is an effort aiming at a continued oil access in a region dominated by the US, and which provides most of its oil imports.'²⁸ Therefore, in establishing strategic relations with the countries of that very region, Beijing would like to avoid the use of oil access as a means of exerting pressure against China. It is in this context that in 1999 China and Saudi Arabia announced their signing of 'a strategic partnership' which was to increase China's imports of Saudi oil from 60,000 barrels per day in 1996 to 200,000 barrels per day in 2000.²⁹

Moreover, the Chinese have also established economic and security relations with a certain number of countries closely linked to the US, such as Saudi Arabia, Pakistan and even Israel, which exports arms to China to a value of \$ 3 billion.³⁰ They are also keeping open relations with countries opposed to the US, like Syria and especially Iran, for which China is one of the few external sources of armaments.

²⁵ John Keefer Douglas, Matthew B. Nelson and Kevin Schwartz, 'Fueling the dragon's flame: how China's energy demands affect its relationships in the Middle East', an article presented to the US–China Economic and Security Review Commission (14 September 2006), pp. 3–4.

²⁶ Richard Russell, *Weapons Proliferation* (New York: Routledge, 2005), p. 121.

²⁷ John Garver, *China and Iran: Ancient Partners in a Post-Imperial World* (Seattle: University of Washington Press, 2006), p. 265.

²⁸ Erica Strecker Downs, *China's Quest for Energy Security* (Santa Monica, CA: Rand, 2000), p. 46.

²⁹ Russell, *Weapons Proliferation*, p. 123.

³⁰ Russell, *Weapons Proliferation*, p. 123.

Furthermore, this rapprochement policy with Muslim countries, Saudi Arabia,³¹ Iran and Pakistan, aims at protecting China from the potential influence of radical Islamists on its own Muslims, particularly those of Xinjiang Province, home to the majority of the more than 20 million Chinese Muslims. We should remember that, at the beginning of the Iranian Revolution in 1979, Xinjiang was subjected to the activism of Iranian Islamic organisations, which financed the building of mosques and madrassas (Koranic schools) without, however, prior authorisation from the Chinese authorities.³² Even in Iran, the religious schools reserved a particular quota for Chinese students coming from Xinjiang Province, who were clandestinely recruited by the Iranians.³³ For John Calabrese:³⁴

What is particularly worrying the Chinese leaders is the destabilizing potential of the impact of those conflicts and of those transnational forces on China itself, particularly in the Xinjiang Province where a large Muslim minority resides and where political disorders took place in a recurrent manner these past few years.

Of course, in the Iranian case China has clearly and firmly called upon Tehran to stop this type of activity. It was indeed heard, as Iran immediately stopped supporting these Islamic organisations.³⁵

This clearly shows that Beijing perceives Islamic fundamentalism as a threat, and strengthening its ties with the Gulf nations is a way of preventing the influence of radical Islamists on its own Muslims.

Finally, the last element dictating Chinese policy in the Middle East is the Taiwan issue. As a matter of fact, Taiwan is trying to gain, particularly from the Gulf countries, an international recognition of its status as a political entity, separate from China. Through its Middle East policy, China has succeeded in freezing the establishment of relations between Taiwan and Saudi Arabia, and is still putting enormous effort into blocking any such Taiwanese attempt in the region.

We will now consider these key elements behind Chinese policy in the Middle East with particular regard to its special relations with Iran.

³¹ For a deeper analysis see also Geoffrey Kemp, *The East Moves West: India, China, and Asia's Growing Presence in the Middle East* (Washington: Brookings Institution Press, 2010).

³² Garver, *China and Iran*, p. 132.

³³ Garver, *China and Iran*, p. 132.

³⁴ John Calabrese, 'China and the Persian Gulf: energy and security', *Middle East Journal*, Vol. 52, No. 3 (Summer 1998), p. 353.

³⁵ Garver, *China and Iran*, p. 133.

2.2. Tehran–Beijing Relationships

Even though China and Iran had established diplomatic relations in the early 1950s during the time of the shah, it was only after the Iranian revolution of 1979 that the two countries became closer. Indeed, the technical military cooperation between China and Iran started at the very beginning of the 1980s, when Iran was at war with Iraq. For many strategic, political and economic reasons, Beijing started selling large quantities of conventional weapons to Tehran.³⁶ Its sales of HY-2 Silkworm cruise missiles caused deep US concern, to such a point that President Reagan decided to freeze the export of American technology to China.³⁷ Finally, in March 1988, Beijing ceased exporting missiles to Tehran. However, when in 1996 Iran again tested the Chinese C802 anti-ship missile, the Clinton administration had to exert enormous pressure to force China to commit to not providing or selling any more C802s to Tehran.³⁸ Later on, during the first decade of 2000, China remained a major exporter of conventional weapons to Iran, exporting anti-ship missiles such as the TL10/FL8, very useful in challenging the strong US navy deployment in the Persian Gulf, as well as other submarine-launched missiles. Between 2007 and 2010, China supplanted Russia as the major weapon provider to Iran. However, a close look at the figures indicates that, between 2005 and 2010, China exported weapons to the value of \$ 50–\$ 70 million a year, reaching a total for this period of \$ 384 million.³⁹ In terms of military exports, these figures are extremely low. Moreover, the weapons were provided in small quantities, compared with other major export deals China had signed with other countries such as Pakistan. As Gill Bates explains:

China has, on the one hand, helped Iran in the development of its capacities of producing cruise and ballistic missiles, while providing, on the other hand, military science expertise as well as production technologies, plans and, possibly, an assistance in the development of a clandestine program for the production of nuclear and chemical weapons.⁴⁰

³⁶ Bates, *Rising Star*, p. 79.

³⁷ Russell, *Weapons Proliferation*, p. 128.

³⁸ Russell, *Weapons Proliferation*, p. 128.

³⁹ See Stockholm International Peace Research Institute database: http://armstrade.sipri.org/armstrade/page/trade_register.php.

⁴⁰ Gill Bates, 'Two steps forward, one step back: the dynamics of Chinese non-proliferation and arms control policy making in an era of reform', in David M. Lampton (ed.), *The*

For Tehran, given the international isolation in which it has been confined since the 1979 revolution, this Chinese goodwill was an opportunity to be seized. Besides, its pariah status has made Iran an attractive market for the Chinese, who de facto became one of Iran's very few suppliers, not only of conventional weapons but also of WMD.⁴¹ Therefore, from 1985 to 1997 Chinese assistance to the Iran nuclear programme was indeed very decisive, making China Iran's main partner in this field. Above all, this was the way for Iran to bypass American restrictions on the armaments trade market.⁴²

It was in this context that China helped Tehran expand the Esfahan Nuclear Technology Centre (ENTC), in providing the Centre with a small research nuclear reactor.⁴³ A year later, a memorandum was signed with Tehran whereby Beijing committed to ensuring the training of Iranian scientists, engineers and technicians, as well as to imparting knowledge related to the design and building of nuclear facilities especially intended for the conversion of uranium.⁴⁴ Yet the main Chinese contribution took place between 1990 and 1992, when Beijing, without informing the IAEA, sold Iran natural uranium, namely UF₄, which can be used to produce uranium metal, a substance particularly useful in a military programme.⁴⁵ Beijing has also contributed in building a complete facility for the conversion of uranium in Esfahan.⁴⁶ Yet, as is known, a facility for the conversion of uranium is generally composed of several lines, one of which allows concentrated uranium ore (CUO), better known as yellowcake, to be converted into uranium hexafluoride (UF₆), which is a determining component in the making of a nuclear bomb.⁴⁷ Finally, China has also sold Iran a research reactor using beryllium and tritium, two substances enabling very useful tests for an atomic bomb.⁴⁸

Making of Chinese Foreign and Security Policy in the Era of Reform, 1978–2000 (Stanford, CA: Stanford University Press, 2001), p. 266.

⁴¹ See Barry Rubin, 'China's Middle East Strategy', *Middle East Review of International Affairs*, Vol. 3, No. 1 (March 1999).

⁴² Garver, *China and Iran*, p. 139.

⁴³ Yossi Melman and Meir Javedanfar, *The Nuclear Sphinx of Teheran* (New York: Carroll and Graf, 2007), p. 101.

⁴⁴ Melman and Javedanfar, *The Nuclear Sphinx*, p. 101.

⁴⁵ Thérèse Delpéch, *L'Iran, la bombe et la démission des nations* (Paris: CERI, 2006), p. 59.

⁴⁶ Melman and Javedanfar, *The Nuclear Sphinx*, p. 101.

⁴⁷ Melman and Javedanfar, *The Nuclear Sphinx*, p. 101.

⁴⁸ Delpéch, *L'Iran*, p. 60.

However, in 1997, further to American pressure, China had to suspend its cooperation with Iran in the field of nuclear technology as well as its supply of missiles.⁴⁹ In fact, Beijing's suspension of cooperation with Iran might be explained by: (1) its desire to access American nuclear technology; (2) relentless American pressure, but also China's need to stabilise its relations with Washington; (3) China's desire to be recognised as a moderate and responsible power; and finally, (4) China's awareness that, as a nuclear power and, what is more, a member of the Treaty on the Non-Proliferation of Nuclear Weapons (NPT), its own interests would be better served by a restriction of the number of states possessing nuclear weapons.⁵⁰

Nonetheless, China has never really ended its relationship with Iran, both countries showing their respective determination to continue their partnership. This can be justified by several reasons, among which is their shared feeling that the interference of Western nations in their internal affairs has significantly delayed their economic growth. However, there are other more strategic reasons. Indeed, China, like Iran, fears that US hegemony over this rich region with the world's largest oil and gas reserves would ensure that the US held the status of the dominant power.⁵¹ In this regard, Beijing has over the years repeatedly proclaimed its preference for a multipolar rather than a unipolar world, a position which can only please Tehran. As a matter of fact, countering US hegemony in the region has been the main objective of Tehran's foreign policy since the early days of the revolution. Moreover, in this region from which China gets its oil imports, Iran could be its only ally in the event of a major clash with the US. Finally, a long-lasting crisis in the Middle East would force the US to divert major military resources to the region, thereby weakening the US presence in Asia and allowing China to further assert its position in this part of the world.⁵²

This explains China's important contributions, particularly to Iran's nuclear and military programmes until 1997, as well as to the development of their trade relations, which rose from \$ 314 million in 1990 to \$ 5.6 billion in 2003, reaching \$ 10 billion in 2005.⁵³

⁴⁹) Garver, *China and Iran*, p. 115.

⁵⁰) Garver, *China and Iran*, p. 141.

⁵¹) See John Garver, 'Is China playing a dual game in Iran?', *Washington Quarterly* (Winter 2011), pp. 75–88.

⁵²) Garver, *Is China playing a dual game?*

⁵³) Douglas et al., *Fueling the dragon's flame*, p. 7.

Iran, on its side, sees China as an ally among the major powers, and one able to counterbalance American power as well as to come to Iran's defence. It also thinks that maintaining good economic relations with Beijing will enable Iran to bypass its assigned pariah status and in that way attract other foreign investments. However, nothing is less certain.⁵⁴ Chinese investments, so crucial for the hard-hit Iranian economy, would be less subject to coercion from the United States than those from European or Japanese companies. Indeed, the Iranian economy is not sufficiently strong to create enough jobs for the tens of thousands of young people entering the job market each year. Moreover, US sanctions have severely hit the Iranian oil industry, which has consequently been functioning with obsolete materials, some of them dating back to the 1970s. In this regard, according to OPEC experts,⁵⁵ Iran oil production is expected to decline sharply within the next few years, unless as much as \$ 70 billion is invested over the next 10 years or so.⁵⁶ Since Iran is very unlikely to get such aid from Western countries, China's support could be crucial to maintaining the flow of Iran's economy and oil industry.

However, with its strongly export-oriented economy, which tends to integrate China more and more into the neoliberal globalisation process, and despite the conflicting geopolitical context, Beijing is more inclined to accept Washington's predominance than to affirm its support to Tehran.⁵⁷ On the whole, Chinese policy in the Middle East depends on two key elements: (1) establishing multidimensional and friendly relationships with all the states of the region, whether they are pro or anti American; and (2) access to the resources of the region, namely the goods and capital export markets and, above all, the oil supply.⁵⁸ For these reasons, the stability of the region and its preservation are of the utmost interest for the Chinese.⁵⁹ Besides, it seems that, to a certain extent, they are ready to support the American action in

⁵⁴) Douglas et al., *Fueling the dragon's flame*, p. 8.

⁵⁵) Interviews conducted by the author at OPEC headquarters in Vienna, Austria (May–June 2008).

⁵⁶) Interviews conducted by the author at OPEC headquarters in Vienna, Austria (May–June 2008).

⁵⁷) Interviews conducted by the author at OPEC headquarters in Vienna, Austria (May–June 2008).

⁵⁸) Jon B. Alterman and John W. Garver, *The Vital Triangle: China, the United States, and the Middle East* (Washington: Center for Strategic and International Studies Press, 2008), p. 19.

⁵⁹) Alterman and Garver, *The Vital Triangle*, p. 18.

the Middle East, albeit discreetly, since the various movements of US military forces, aimed at maintaining the stability of the region, can serve their own interests.⁶⁰

As far as the Iranian nuclear programme is concerned, China has tried to delay and mitigate American efforts against Tehran, yet without completely blocking them. Thus, it was in this context that in February 2006 Beijing sent a very clear note inviting Tehran not to resume its activities of uranium enrichment. Iran's subsequent intransigence led China to accept the transfer, in March 2006, of the Iranian nuclear dossier from the IAEA to the UN Security Council and to its vote in favour of Resolution 1696 urging Iran to suspend its nuclear activities or face sanctions.⁶¹ In this regard, although Hu Jintao, the Chinese president, acknowledged the right of Tehran to develop a civilian nuclear programme, he nevertheless urged the different Iranian officials he met in Beijing in June 2006, including Iranian President Mahmoud Ahmadinejad, to respond positively and with flexibility to the US, EU and Russian offer for the resolution of the Iranian nuclear dossier.⁶² In his statement, President Hu Jintao informed the Iranians of 'the shared concern' he considered 'legitimate' of the major powers on that dossier. Moreover, stressing the unanimous vote of the UN resolution, he advised Iran to make 'serious responses' to the requests of the international community.⁶³

As a matter of fact, the acquisition of nuclear weapons by Iran is not at all in China's interests. Indeed, if that were the case then the risks of tension in the Middle East would lead to an increase in oil prices, which in turn would severely affect the Chinese economy. Neither would the risk that a bomb might be transferred to a terrorist group and used against a major power such as the US or China promote China's interests.⁶⁴ Finally, it is clear that Iran's acquisition of such armaments would in no way allow the counterbalancing of American power in the region.⁶⁵ In this regard, Iranians do not have any illusions about China supporting them. Indeed, an August 2006 editorial in a

⁶⁰ Alterman and Garver, *The Vital Triangle*, p. 18.

⁶¹ Alterman and Garver, *The Vital Triangle*, pp. 42–43.

⁶² Ministry of Foreign Affairs of the People's Republic of China, 'Hun Jintao meets with President Ahmadinejad' (16 June 2006). Online: <http://www.chinaconsulates.org/eng/xw/t258618.htm>.

⁶³ Ministry of Foreign Affairs of the People's Republic of China, 'Hun Jintao meets with special envoy of Iranian supreme leader and president Larijani' (5 January 2007). Online: <http://jm.china-embassy.org/eng/xw/t292842.htm>.

⁶⁴ Alterman and Garver, *The Vital Triangle*, p. 47.

⁶⁵ Alterman and Garver, *The Vital Triangle*, p. 47.

Tehran newspaper read: ‘We should not expect too much from China at the Security Council, and the [nuclear] issue should be taken into account in our relations.’⁶⁶

Yet China’s cooperation with the US on the Iranian dossier still depends on two elements: Taiwan and the oil issue.

3. The ‘Chinese Puzzle’: Taiwan, the Oil Issue and UN Sanctions

3.1. *The Taiwanese Variable*

For John Garver, there is certainly a clear link, whether asserted or not, between Taiwan/China and the Iranian nuclear issues. He thinks that Beijing’s limited support for Tehran can be partly justified by the American arms sales to Taipei,⁶⁷ to the extent that whenever Washington asks China to end its support for Iran, China conditions its consent with the suspension of US support for Taiwan, i.e. the suspension of their arms transfers. Therefore, and even though the issue of Taiwan, the rebel island Beijing wants to get back, is not clearly mentioned when China negotiates with the US on the Iranian issue, it is part of the global game that opposes both parties and on which China wishes to extract some advantage in the exchange of a ‘comprehensive posture’ on the Iranian nuclear crisis, the focal game led by the US. This was highlighted in February 2010, when President Obama tried to get a UN vote on a new round of sanctions against Tehran. In this regard, to incite China’s vote, it was then announced that the US would sell arms to the value of \$ 6.5 billion to Taiwan, including Patriot missiles and Black Hawk helicopters. China’s answer was swift: less than a day after this announcement, Vice Foreign Minister He Yafei issued an official *demarche* to US Ambassador Jon Huntsman, saying: ‘The sale constitutes a gross intervention into China’s internal affairs, that seriously endangers China’s national security ... would definitely undermine bilateral relations and have a “serious negative impact” on future bilateral cooperation.’ Later on, the Chinese government announced four major reactions, the third of which was ‘to suspend their planned high level meeting on arms control, strategic security and non-proliferation’. Furthermore, without discounting any inherent rhetoric, we should not ignore the fact that China’s real outrage was displayed in both the Chinese and the Western media. Thus, in such a

⁶⁶ Douglas et al., *Fueling the dragon’s flame*, p. 9.

⁶⁷ John Garver’s response to an email sent by the author in July 2009.

tense context, one must not overlook the statement of Huang Xiangyang, a Chinese journalist from the *China Daily* newspaper, stressing that: ‘From now on a message has to be sent. From now on, the US shall not expect cooperation from China on a wide range of major regional and international issues. If you don’t care about our interests, why should we care about yours?’⁶⁸ where ‘yours’ means North Korea and Iran.

In fact, Taiwan is a crucial issue in Chinese foreign policy, and in that sense it has a major influence on Sino-US relations in the Middle East. First, Beijing attempts to use American demands in the Persian Gulf as a pressure lever aimed at gaining US concessions on Taiwan.⁶⁹ Second, the perspective of a possible conflict with the US on the Taiwan question increases the need for China to have reliable allies in the Middle East who do not depend upon American support, and who therefore can provide her with oil. Yet, apart from Iran, no other country in the region would be willing to meet China’s expectations.⁷⁰ With regard to Sino-US relations, the first time the Chinese linked their policy in Iran with the Taiwan question dates back to 2 September 1992, when the US announced the sale of 150 F16 fighter aircraft to Taiwan.⁷¹ For Beijing, this was a flagrant violation of the last joint communiqué, agreed by both countries in 1982, regulating their relations on the Taiwan issue.⁷²

So, just after the US announcement of that sale to Taiwan, the Xinhua News (New China) Agency announced the arrival of an Iranian military delegation in Beijing for the negotiation of an arms deal.⁷³ At the same time, Liu Huaqiu, the Chinese Vice-Minister of Foreign Affairs, declared that Beijing would not participate in discussions with the five permanent members of the UN Security Council on the question of arms transfers to the Middle East, unless Washington gave up its arms sales to Taiwan.⁷⁴ Finally, on 10 September 1992, China signed an agreement with the Iranians regarding the sale and installation of several nuclear power plants in Iran. From this, it is clear that this contract, which had been in negotiation with Iran since 1989, was signed as a result

⁶⁸ Huang Xiangyang, ‘Get back when attacked’, *China Daily* (31 January 2010).

⁶⁹ John Garver’s response to an email sent by the author in July 2009.

⁷⁰ John Garver’s response to an email sent by the author in July 2009.

⁷¹ Garver, *China and Iran*, p. 213.

⁷² This communiqué specified that, in compliance with the diplomatic relations established between China and the United States in 1971, Washington should not sell arms to Taiwan exceeding in quality and in quantity those sold to Taipei prior to the establishment of diplomatic relations between China and the United States in 1971.

⁷³ Garver, *China and Iran*, p. 213.

⁷⁴ Garver, *China and Iran*, p. 213.

of the US announcement of arms sales to Taiwan.⁷⁵ Yet, as paradoxical as it may seem, less than two weeks later, on 23 September, this agreement was suspended for no apparent reason. Five years later, in 1997, China justified its sales of missiles to Pakistan and Iran in the same way, as a sort of follow-up of the US sale of Stinger anti-aircraft missiles to Taiwan.⁷⁶ With regard to nuclear non-proliferation, Liu Huaqiu specified in a statement he made in 1995 that ‘a first step [for the resumption of negotiations on non-proliferation] consists in the suspension of the sale of fighter aircraft F16 to Taiwan’.⁷⁷ And this Chinese requirement continued even after China’s final suspension, in 1997, of the transfer of missiles to Iran.

Therefore, it is apparent that China has been using the Iranian card as a means of calculated though relatively limited pressure on the US to obtain concessions on the Taiwan issue. Yet it is clear that Beijing has never intended to break off its relations with Washington because of Iran. This explains China’s decision, made at a high level, to suspend the 1992 agreement on the nuclear power plant, and that of 1997 on the transfer of missiles.⁷⁸ In fact, the Chinese felt it would be useless to add more tension to Sino-American relations, which had been already weakened by the Sino-Pakistani cooperation frowned upon by the Americans. In this regard, China had indeed until then always refused to yield to American pressure on that dossier, since it was a question of siding with Islamabad against its Indian enemy. Inversely, a hypothetical Iranian nuclear bomb might be directed against the US, a country which might be China’s rival but is, above all, its key partner.⁷⁹

On its side, Washington has always integrated the Taiwan factor into its efforts to make Beijing yield to its demands. Indeed, in 1997, when both countries were negotiating on the Iranian missiles, the Chinese asked the Americans to make official and put in writing the promise President Clinton had made in a letter to the Chinese president, Jiang Zemin, that the US would not support Taiwanese independence.⁸⁰ The US refused to comply with China’s demand, although Clinton did make a declaration, at a press conference, to that effect.⁸¹

⁷⁵ Garver, *China and Iran*, p. 214.

⁷⁶ Garver, *China and Iran*, p. 214.

⁷⁷ Garver, *China and Iran*, p. 213.

⁷⁸ Garver, *China and Iran*, p. 20.

⁷⁹ Garver, *China and Iran*, p. 213.

⁸⁰ Alterman and Garver, *The Vital Triangle*, p. 48.

⁸¹ Alterman and Garver, *The Vital Triangle*, p. 48.

A few years later, in April 2001, President George W. Bush authorised arms sales to Taiwan worth several billion dollars, including 12 P3 'Orion' anti-submarine aircraft, Harpoon anti-ship missiles, eight diesel-powered submarines and four Kidd-class destroyers.⁸² Yet at that time Bush refused to sell Taiwan the ultra-sophisticated Aegis anti-missile defence system and PAC-3 air guided defence missiles.⁸³ Moreover, it is relevant to remember that the Kidd-class destroyers were built in the 1970s for the shah of Iran, but were never delivered because of the Iranian revolution of 1979 which overthrew Iran's monarchy.⁸⁴ Concerning the eight diesel-powered submarines, the sale contract was indeed signed. But it is here also worth noting that the US had not built conventional submarines since the 1960s and therefore had none for sale at that time.⁸⁵ This was the reason for the weakness of China's protest. However, cooperation between Beijing and Washington was in no way affected by these sales. Indeed, this was unlike the situation in 1992, when China did resume its arms sales to Iran.

Within the same context, in order to spare the sensibilities of Beijing following its recent ratification of the transfer of the Iranian nuclear dossier from the IAEA to the UN Security Council, as well as the sanctions against Iran, from 2006 to 2008 Bush refused to sell modernised F16 aircraft to Taipei, a refusal confirmed by Timothy Keating, the US Navy admiral, in July 2008 at a forum in Washington, stating that the Bush administration had decided to freeze arms sales to Taiwan.⁸⁶

In October 2008 the US announced an agreement to sell weapons to Taiwan for \$6.5 billion. However, it should be mentioned that the authorisation request, addressed to the US Congress and necessary to make the sale effective, did not include Taipei's demand for Black Hawk helicopters, nor its demand for submarines.⁸⁷ Besides, the sale of the PAC-3 missile—the world's most advanced air-defence missile—was significantly restricted.⁸⁸ Indeed, all this clearly reflected Washington's willingness to respect Beijing's sensibilities. Moreover, it is also interesting to underscore, on the one hand, that Admiral

⁸² Shirley A. Kan, 'Taiwan: major US arms sales since 1990s', *CRS Report for Congress* (11 February 2009). Online: <http://www.fas.org/sgp/crs/weapons/RL30957.pdf>.

⁸³ Kan, *Taiwan*.

⁸⁴ Barry Hillenbrand Washington, 'Bush backs arms sales with tough talk', *Time Magazine* (27 April 2001).

⁸⁵ Hillenbrand Washington, *Bush backs arms sales*.

⁸⁶ Kan, *Taiwan*.

⁸⁷ Hillenbrand Washington, *Bush backs arms sales*.

⁸⁸ Hillenbrand Washington, *Bush backs arms sales*.

Keating had made his statement at the Washington forum in July 2008, when new UN sanctions on Iran were underway, and, on the other hand, that the arms sales, made in October of the same year, occurred further to a prolonged standstill of the UN sanctions on Iran. Likewise, it is also relevant to highlight that, even if relations had been suspended in October 2008 between the Chinese and US armies, China did not resume its arms sales cooperation on missile and/or nuclear weapons with Iran.

Therefore, in spite of the insistence of the Americans, who repeatedly state that there is no connection between the Taiwanese and Middle East issues, it is clear that if the US wants China's support on the Iranian dossier, it will have no choice but to associate the two issues.⁸⁹ This is the reason Beijing uses the Iranian card as much as it can to advance its views on the Taiwanese question.

3.2. *The Oil Issue*

Since 1996, China has become second only to the US as the world's largest oil importer, as well as being the world's second-largest oil consumer.⁹⁰ In this regard, in 2005 China imported 42 per cent of its total consumption.⁹¹ Moreover, it is quite clear that for the Chinese to sustain their economic development, their oil consumption should keep on rising. So, in that perspective, ensuring an adequate oil supply to its economy has become fundamental. It should also be kept in mind that, in 2004, 40 per cent of China's oil imports came from the Middle East, imports that will only increase in the years to come.⁹²

Thus, it is indeed the need for oil which largely determines Sino-Iranian relationships, in the knowledge that around 15 per cent of the Chinese oil supply came from Iran in 2008. However, owing to the decrease in Iranian oil production, this figure declined to 11 per cent in 2009, although it remains high. Furthermore, it is worth noting that Iran also has vast gas reserves,

⁸⁹ Alterman and Garver, *The Vital Triangle*, p. 49.

⁹⁰ Mahmoud Gharfour, 'China's policy in the Persian Gulf', *Middle East Policy*, Vol. 16, No. 2 (Summer 2009), p. 80.

⁹¹ Conference of Ambassador Tang Guoqiang, China's Permanent Representative to the United Nations, at the Third International Seminar of OPEC, 'China's energy situation and its future and the new energy security concept', Vienna, Austria (12 September 2006). Online: http://www.opec.org/opecna/Speeches/2006/OPEC_Seminar/PDF/Guoqiang%20Tang.pdf.

⁹² Delpech, *L'Iran*, p. 61.

ranking worldwide just below those of Russia.⁹³ However, compared to that of other producing countries, Iranian current production is well below its potential capacity because of the lack of investment and modern technology in the hydrocarbon industry. If Iran could get foreign help for its modernisation, namely from the Chinese, it could then become China's largest partner in the energy sector.⁹⁴ In this regard, we should bear in mind that Iran is second only to Saudi Arabia in supplying China with oil.⁹⁵ Moreover, in 1995 Iran agreed to invest \$ 25 million in China in the oil-refining sector.⁹⁶ Finally and above all, in 2004 Iran and China signed a memorandum of understanding which allows China to buy, for a period of 30 years, around 250 million tonnes of liquefied natural gas (LNG) from the Yadavaran oil field in southern Iran, a contract amounting to \$ 70–100 billion.⁹⁷ On its side, China agreed to participate in the modernisation of Iranian oil and gas facilities, particularly those on the shore of the Caspian Sea and in the nearby strategic region of Neka.⁹⁸

This explains Beijing's policy of 'accommodating' Tehran, mainly because, as seen above, energy supply security is quite a critical parameter in China's foreign policy, and because Iran has always been a reliable partner in that regard.

Yet the interpretation of China and Iran relationships has to be mitigated. For example, with regard to the huge contract of \$ 70–\$ 100 billion which was signed in 2005, according to an OPEC official: 'It is indeed an important contract, but it is not "the contract of the century", particularly in view of the Chinese consumption, which is far more important and which, undoubtedly, is going to increase further and further in the 30 years to come.'⁹⁹ Moreover, two elements of that contract should be highlighted. First, it seems that the China–Iran rapprochement took place in a period when the crisis related to Iranian nuclear programme was intensifying and Iran was seeking to gain China's support in any way it could. Second, very few other investors were interested in this draft agreement. Therefore, it was a commercial transaction rather than a political act.¹⁰⁰ Finally, we have to keep in mind that this is a memorandum and

⁹³ Manochehr Dorraj and Carrie L. Currier, 'Lubricated with oil: Iran–China relations in a changing world', *Middle East Policy*, Vol. 15, No. 2 (Summer, 2008), p. 71.

⁹⁴ Dorraj and Currier, *Lubricated with oil*.

⁹⁵ Dorraj and Currier, *Lubricated with oil*.

⁹⁶ Dorraj and Currier, *Lubricated with oil*, p. 73.

⁹⁷ Alterman and Garver, *The Vital Triangle*, p. 39.

⁹⁸ Dorraj and Currier, *Lubricated with oil*, p. 73.

⁹⁹ Interview with an OPEC official held in May 2008, in Vienna, Austria.

¹⁰⁰ Alterman and Garver, *The Vital Triangle*, p. 40.

not a contract per se. In fact, the first contract, which covered the completion of the first tranche of this project, was signed in December 2007 between SINOPEC, a major Chinese petroleum and chemical corporation, and NIOC, the National Iranian Oil Company, for \$ 2 billion, a rather small figure. The reasons which led to the delay in the signing of this first contract, three years after the memorandum was signed, were in fact political. It was in fact the pressure caused by the Iranian nuclear dossier which slowed down the contract negotiations, as the Chinese had to wait for the publication in November 2007 of the *National Intelligence Estimate*, confirming that Tehran had renounced its nuclear weapons programme.¹⁰¹ There is an even more problematic—but nonetheless good—indicator of this troubled cooperation in the oil realm: the China National Offshore Oil Corporation was about to sign a \$ 16 billion memorandum of understanding with Iran in 2010 when it was cancelled at the last minute, under the rather unconvincing pretext that the Iranian oil minister could not attend the ceremony.¹⁰²

As a matter of fact, well before this China had been experiencing significant US pressure with regard to the contract. For Jeff Bader, a former official of the US National Security Council:

The Iranian nuclear crisis is a problem for the whole international community, for which it is rather important that China ‘puts its feet in the dish’ and shows its interest in the international stability by being very careful about this type of investments.¹⁰³

At the same time, the Iranian ambassador in China did not fail to point out the significant American pressure exerted on Beijing in order to make China suspend its energy relationships with his country. As a matter of fact, most of China’s oil companies have their subsidiaries on US stock exchange markets, which makes them vulnerable to Washington’s pressures and sanctions.¹⁰⁴ We should also remember that the US severely punished the China Petro Corporation for importing oil from Sudan. Therefore, should Beijing sign contracts with Iran and be represented by the Iranian leaders as a supporter of their regime, Chinese investments in Iran would still be constrained by a number of factors, limiting the full reality of these deals. Thus, even if it is true that the

¹⁰¹) Alterman and Garver, *The Vital Triangle*, p. 40.

¹⁰²) See Justin Li, ‘Chinese investment in Iran: one step forward and two steps backward’, *East Asia Forum* (3 November 2010).

¹⁰³) Alterman and Garver, *The Vital Triangle*, p. 40.

¹⁰⁴) Li, *Chinese investment in Iran*.

oil companies are gaining momentum in shaping China's foreign policy¹⁰⁵ and play a major role in Beijing's attitude towards Tehran, it is nonetheless also true that maintaining a complex but strategic relationship with Washington is even more important. Moreover, the resumption of negotiations between Iraq and China concerning a contract signed under the Saddam Hussein regime for the supply of Iraqi oil took a significant turn with the signature of the contract in October 2006,¹⁰⁶ and another in 2008 by which China was allowed to exploit Iraq's biggest oil field of Al-Ahdab.

Finally, it is also important to underline the very close ties between China and Saudi Arabia. Indeed, Saudi Arabia is China's main oil supplier, and both countries have continued to grow closer during recent years. Thus, it is in this context that Saudi King Abdullah made his first visit to Beijing in January 2006. His visit was followed by that of Chinese President Hu Jintao to Riyadh, three months later, although it should be noted that President Hu Jintao never paid an official visit to Iran. Both visits led to the conclusion of many agreements, which prompted many experts in the field to say that both countries were moving towards a strategic partnership.¹⁰⁷

Before that, in 2004, the Saudis signed a cooperation agreement with Beijing for the building of a \$ 3.5 billion new refinery in China.¹⁰⁸ Another contract was also signed for the construction of an oil storage centre with a capacity of 69 million barrels.¹⁰⁹ Moreover, in the same period Riyadh invited Chinese companies to participate in a development programme amounting to \$ 624 billion.¹¹⁰ In fact, the ongoing links between China and Saudi Arabia can be explained by two important elements: on the one hand (1) Saudi Arabia is one of the US's closest allies in the Middle East, and (2) it is completely opposed to the Iranian nuclear programme. On the other hand, so many contracts of such importance to the Chinese can only diminish Tehran's influence on Beijing, especially as trade relations with Iran represent only 0.6 per cent of the Chinese market.¹¹¹

¹⁰⁵) See Stockholm International Peace Research Institute Analysis, 'New actors shape China's foreign policy' (10 September 2010).

¹⁰⁶) Alterman and Garver, *The Vital Triangle*, p. 41.

¹⁰⁷) Alterman and Garver, *The Vital Triangle*, p. 33.

¹⁰⁸) Alterman and Garver, *The Vital Triangle*, p. 33.

¹⁰⁹) Alterman and Garver, *The Vital Triangle*, p. 33.

¹¹⁰) Alterman and Garver, *The Vital Triangle*, p. 41.

¹¹¹) Gharfour, *China's policy*, p. 84.

Therefore, if the energy issue is an important factor and a major challenge in relations about the Iranian dossier, it should be set at its fair value. Tehran is indeed an important partner for Beijing, but Sino-Saudi Arabian relations are far more important. Compared to this, Iranian oil has a rather limited influence on China, whereas China, which is Iran's second most important economic partner, can exert a very strong influence on Iran.

3.3. *The Balance of Targeted and Reversible Sanctions*

As a matter of fact, the Chinese are, beyond any reasonable doubt, against the development of a nuclear weapons programme in Iran, nuclear non-proliferation being a world norm underpinning international cooperation on collective security. Moreover, China wants to be regarded as a major 'must' agent in the present international world order, and able to be trusted with international responsibilities. Thus, if until the very beginning of the 1990s it had remained outside the main agreements on international nuclear security, China has since then, particularly under American pressure,¹¹² joined practically all international treaties and agreements on non-proliferation.¹¹³ And, although being subjected to stringent obligations, China has also signed a series of agreements with the US,¹¹⁴ allowing its accession, in 1992, to the NPT. Not only has this demonstrated China's awareness of the danger of nuclear proliferation for its own security, but it has also contributed to the image of a power with the capacity, just like others, to fulfil its responsibilities on the international stage.¹¹⁵

All this explains the reasons that led China to regularly support the initiatives aimed at preventing Iran from developing a nuclear programme: first through negotiations, and then by supporting the UN sanctions against Iran. To the question of an Iranian journalist to the Chinese Foreign Minister, asking if China was intending to veto the Security Council in the case of a sanction vote being passed against Iran, Li Zhao Xing answered: 'Veto cannot be used extensively. We should see if there is a basis to that orientation [the development of a nuclear weapon], and who has the prerogative to do so.'¹¹⁶ This was

¹¹² Minxin Pei, *Assertive pragmatism*.

¹¹³ Minxin Pei, *Assertive pragmatism*.

¹¹⁴ Minxin Pei, *Assertive pragmatism*.

¹¹⁵ Dingli Shen, 'Iran's nuclear ambitions test China's wisdom', *Washington Quarterly* (Spring 2006), p. 59.

¹¹⁶ Garver, *China and Iran*, p. 164.

in fact a diplomatic way of saying that the Chinese vote would depend not only on the existing proof of a development of WMD by Iran, but also on the attitude of the other permanent members of the Security Council on the matter.

On the other hand, Beijing has a lot of strategic and economic interests weighing upon its relations with the US, among which are Taiwan and the energy issues. Indeed, between 2008 and 2009, taking advantage of the stalled situation, China signed several multi-billion-dollar contracts with Iran in the realm of the oil industry. Although China has a long history of signing contracts without implementing them afterwards, it is nonetheless true that Iran is one of the most important oil suppliers for Beijing, Saudi Arabia being the most important. At the same time, Beijing is aware that a nuclear-armed Iran would increase uncertainties and tensions in the region, resulting in a dramatic increase in oil prices that could hurt China's economic growth, which is heavily dependent on Middle East oil imports.¹¹⁷ Moreover, international sanctions could also negatively affect the billion-dollar investments China has in Iran, not only in the oil sector but also in other sectors of the Iranian economy.

And, as we have seen above, Washington is completely aware of this. Thus, in spite of its good relations with Taiwan, the US has always refused to support Taiwan's desire for independence in order to avoid upsetting China. Moreover, the US supplies Taiwan with limited quantities of arms compared to Taipei's requests. For Beijing's part, even if Iranian oil represents only 11 per cent of its supplies in terms of energy, Tehran is still a very important partner for China. But it is not the only one in the region. As a matter of fact, the Chinese are more dependent on the US's Arab allies in the Middle East and are therefore more vulnerable to American pressure. In this sense, taking into account China's desire to maintain good relations with the US, many specialists on the question think that American support for the strengthening of China's economic presence in Iraq, particularly in the Al-Ahdab oil field, as well as for the broadening and deepening of Beijing's relations with Riyadh, would help the US achieve a more understanding attitude from the Chinese on the Iranian nuclear issue. At some point, it was even suggested that to offset an oil price rise, Saudi Arabia could sell its oil to China at a favourable price, so as to avoid any impact of UN sanctions on the Chinese economy.

¹¹⁷ See Willem Van Kemenade, 'China vs the Western campaign for Iran sanctions', *Washington Quarterly* (July 2010), p. 106.

All this clearly shows that the US has many means of imposing pressure on China which will be used with no hesitation, if necessary. In this regard, let us just keep in mind that it was further to strong American insistence that China suspended its sales of anti-ship missiles and technology transfer to Iran.¹¹⁸ Moreover, in 2002 five Chinese companies were sanctioned by the US because of their supply of missile technology to Iran.¹¹⁹

Therefore, in order to ensure Beijing's cooperation on Iran's nuclear dossier, Washington has simultaneously adopted both targeted and reversible sanctions, also called 'smart sanctions', as well as financial sanctions against Tehran. The latter aimed more at maximising the costs of non-compliance of the Iranian regime with the decision of the international community, while minimising the suffering of the Iranian civilian population. In order to achieve this objective, these sanctions have been mostly directed against the leaders of the regime. Most of the time, financial sanctions are intended to impose a freeze of funds and assets held abroad by the government officials of the targeted country, with a travel ban against them, as well as an embargo on arms deliveries to the country. For the US, these kinds of sanctions might have certain advantages. Above all, they tend to avoid human tragedy, such as the one that affected Iraq in the 1990s. Moreover, they do not aim at the collapse of the targeted regime, but rather at bringing it to the negotiating table. Finally, targeted sanctions enable the US to continue supporting the targeted country by maintaining cooperation in other fields. Indeed, smart sanctions hurt the Iranians while actually allowing China to continue trading with Tehran in certain key sectors, mostly energy.

In this regard, the UN Security Council has, from December 2006 to June 2010, passed four resolutions including targeted sanctions against Iran. The first two resolutions, 1737 of December 2006 and 1747 of March 2007, banned the imports of arms, missiles and sensitive technology related to its nuclear programme. Concerning the natural and/or legal persons, these sanctions were also focused, since only individuals and/or companies directly involved in the nuclear and missile programmes were involved, particularly by the freezing of their financial assets abroad.

In fact, Resolution 1747 put 12 individuals and about 10 Iranian companies on a black list, requesting that all UN member countries freeze their assets and

¹¹⁸) Michael Eisenstadt, 'Living with a nuclear Iran?', *Survival*, Vol. 41, No. 3 (Fall, 1999), p. 140.

¹¹⁹) Garver, *China and Iran*, p. 189.

report their travels.¹²⁰ Resolution 1747¹²¹ also extended the freezing of assets to Pasdaran, Iran's Revolutionary Guards.

Furthermore, a strong warning was issued to Iranian financial circles with the de facto exclusion of Bank Sepah, the fourth most important bank in Iran, from making any transactions within the international financial system. In March 2008, after lengthy negotiations between the five permanent members of the UN Security Council, Resolution 1803¹²² was adopted, imposing a third set of sanctions against Iran, far more severe than the first two imposed by Resolutions 1737 and 1747. This third resolution extended the black list of individuals and entities once again, forbidding the sale of nuclear dual-use goods to Iran while authorising the inspection of any suspected cargo, aircraft or vessel to and from Iran. It also called upon all UN countries to exercise vigilance over their financial transactions with the Iranian banks. It should be underlined that the addition to the black list of Saderat and Melli, two banks of crucial importance for Iran, is a quite significant aspect of this resolution. Finally, what is less well known but not less important is that the five permanent members of the UN Security Council and Germany (5 + 1) have also exerted enormous pressure on Tehran through the Financial Action Task Force (FATF),¹²³ an inter-governmental body based in Paris and composed of 36 member countries, among which are the 5 + 1 (France, Russia, China, the United Kingdom and the United States, plus Germany), whose task is to prevent money-laundering and terrorist financing. In this regard, from October 2007 to February 2009 FATF had been constantly urging its member countries to require extreme vigilance from their financial institutions in their relations with Iran. They were also instructed to take the necessary measures to fight Iranian illicit financial operations, namely those of their 'front companies' involved in WMD proliferation.¹²⁴ In that same context, in 2006 the Paris-based Organization for Economic Co-operation and Development (OECD),

¹²⁰ UN Security Council, 'Resolution 1737', United Nations Organisation (27 December 2006). Online: http://www.iaea.org/NewsCenter/Focus/IaeaIran/unsc_res1737-2006.pdf.

¹²¹ UN Security Council, 'Resolution 1747', United Nations Organisation (24 March 2007). Online: http://www.iaea.org/NewsCenter/Focus/IaeaIran/unsc_res1747-2007.pdf.

¹²² UN Security Council, 'Resolution 1803', United Nations Organisation (3 March 2008). Online: <http://daccessdds.un.org/doc/UNDOC/GEN/No8/257/81/PDF/No825781.pdf>.

¹²³ In French GAFI (Groupe d'Action Financière).

¹²⁴ Matthew Levitt and Michael Jacobson, 'Punitive power—combating proliferation with sanctions', *Jane's Intelligence Review*, Vol. 21, No. 6 (May, 2009), pp. 48–51.

composed of 34 countries including France, the United Kingdom, the United States and Germany (and in the process of integrating many other countries, among them China and Russia) upgraded Iran to level 6 (on a scale of 7) among the countries at risk for business:¹²⁵ indeed, a very penalising classification for the Iranian economy.

The full support of Moscow and especially Beijing to these two resolutions were felt as a slap by the Iranian regime. Indeed, President Ahmadinejad himself had strongly asserted that neither Russia nor China would ever vote for sanctions against Iran¹²⁶ and that they would bar any such UN resolution. Therefore, the Chinese and Russian shift caused a great shock wave among the Iranian managerial and professional ruling class, who for the first time felt completely isolated on both the diplomatic and economic level.¹²⁷

Conclusion

So, by giving Beijing guarantees on Taiwan between 2006 and 2010, by ensuring the security of China's oil supplies and by choosing targeted and reversible sanctions against proliferation, the US has succeeded in gaining China's cooperation on the Iranian issue. However, the recent decision of American President Obama to sell weapons to Taiwan, without being a priori inconsistent with that conflicting cooperation, has nevertheless slowed down its process. Yet China's cooperation is not completely suspended, since Beijing is still taking part in the negotiations on Iran and still condemns Tehran's nuclear military activities. Indeed, when Obama made the final decision to sell modernised weapons to Taiwan, it was decided not to sell a new range of F16 aircraft, but rather to modernise those sold in the early 1990s. In fact, it is a calculated half-measure. It allows the US administration to keep close relations with Taiwan, while at the same time maintaining a strategic relationship with Beijing, however complex. Indeed, selling advanced F16 aircraft to Taiwan, added to the other weapons sales, could have tilted the regional balance of power in the Taiwan Strait in favour of Taipei, and further complicated Beijing cooperation with the US on Iran. As a matter of fact, the Chinese are well aware that a nuclear Iran could eventually destabilise the Middle East and push up oil prices, which in turn would negatively impact their own economic growth.

¹²⁵) Levitt and Jacobson, *Punitive power*.

¹²⁶) Matthew Levitt, 'Making Iran feel the pain', *Wall Street Journal* (2 July 2007).

¹²⁷) Levin, *Making Iran feel the pain*.

So it is in China's interest to take as much advantage as possible of Iran's crisis but without letting Iran develop a nuclear weapon, and to that aim it should keep on acting within the context of cooperation, albeit conflicting, of the multi-level game theory. In this context, the US–China tensions resulting from this arms sale to Taiwan could be viewed as a momentary downturn, as it is not to the long-term mutual benefit of either country to be confrontational. The US and China have much to win by focusing on their respective domestic agendas while, at the same time, working at the international level to address pressing challenges. Thus, within the inevitable but limited ups and downs of this interactionism perspective, relations between the Americans and the Chinese are likely to settle to a new equilibrium.